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PFM

The PFM Group
Financial & Investment Advisors

September 28, 2015

We are writing in support of House Bill 4495 which will assist our clients that issue Unlimited Tax General Obligation Bonds by increasing investor demand and ultimately reducing the interest cost paid by local governmental units and the taxpayers of Michigan.

As background, Public Financial Management is a national financial advisory firm representing public entities including Michigan k-12 public school districts and numerous other Michigan taxing jurisdictions, many of which issue voted unlimited tax general obligation bonds. We have over 30 offices throughout the country, including two offices in Ann Arbor, Michigan. We represent the majority of Michigan public k-12 school districts in the structuring and sale of municipal bonds.

The Detroit bankruptcy proceedings has led to increased scrutiny of Michigan municipal bond financings. Historically bonds which pledged the unlimited tax general obligation of the local unit were seen as one of the strongest security features an investor could purchase. However, with the voter approved unlimited tax general obligation secured debt in Detroit being challenged, investors view Michigan debt as a higher credit risk, which for many communities has resulted in a higher cost to taxpayers.

This legislation, which clarifies and strengthens the statutory first lien on the taxes generated by unlimited tax general obligation debt, and the added trust language, will provide added comfort for investors to participate in Michigan unlimited tax general obligation bond offerings. Broader market participation will ultimately reduce the interest cost paid by Michigan taxpayers.

Should you have any questions, or if we can provide any further clarification regarding the benefits of this legislation to Michigan municipalities and taxpayers, please let us know.

Respectfully submitted,
Public Financial Management, Inc.

Kari L. Blanchett

Kari L. Blanchett
Managing Director

Paul Stauder

Paul Stauder
Managing Director